

February 16, 2000

Participant Service List
D.T.E. 99-271

Mr. Raymond Sears, III
Principal
KPMG, LLP
1676 International Drive
McLean, VA 22102

Mr. Stuart J. Miller
Vice President
Bell Atlantic
1095 Avenue of the Americas
New York, NY 10036

Re: **Letter Order on KPMG's Proposed Scope Change to the Master Test Plan**

Dear Messrs. Sears, Miller and Participants:

On February 1, 2000, KPMG, LLP ("KPMG") submitted to the Department of Telecommunications and Energy ("Department") a proposal to change the scope of the Master Test Plan ("MTP"), which provides the framework for KPMG's testing of Bell Atlantic-Massachusetts' ("BA-MA") operations support systems ("OSS"). KPMG's proposal would shorten the "time horizon" for selecting the quantities of transactions to be tested from eighteen months to six months. See KPMG Scope Change Proposal at 1. On February 3, 2000, the Department issued a request for comments on KPMG's proposal to the participants in D.T.E. 99-271, the Department's inquiry into BA-MA's compliance with the requirements of § 271 of the Telecommunications Act of 1996. The Department received comments from AT&T Communications of New England, Inc. ("AT&T"); BA-MA; Competitive Telecommunications Association; Nextlink; NorthPoint Communications, Inc.; RCN BecoCom, LLC; Sprint Communications Company L.P.; Votts Networks, Inc.; and Z-Tel Communications, Inc. For the reasons provided below, the Department approves KPMG's proposed MTP scope change.

In the absence of any significant commercial activity, KPMG used an eighteen-month projection of market activity as a basis for volume testing of Bell Atlantic's OSS in both New York and Pennsylvania. Id. When the Massachusetts MTP was developed, commercial activity was still relatively small but increasing rapidly, and KPMG incorporated the same eighteen-month projection into the Massachusetts MTP. Now, however, there is persuasive evidence of significant commercial activity using Bell Atlantic's OSS, primarily due to market developments in the state of New York. KPMG asserts that, "[g]iven this level of activity, KPMG believes that it is unreasonable to expect any business to maintain operational readiness today for projected marketplace activities eighteen months into the future." Id.

We agree with KPMG that the significant commercial activity on Bell Atlantic's OSS justifies using a six-month projection of market activity for purposes of testing expected volumes. The purpose of the volume test is to determine whether Bell Atlantic "will be able to handle reasonably foreseeable demand volumes." See Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region InterLATA Service in the State of New York, CC Docket No. 99-295, ¶ 89 (rel. Dec. 22, 1999). The term "reasonably foreseeable" implies, of course, reliance on informed and seasoned judgment. We relied on KPMG's judgment and expertise in defining that time horizon in the MTP, and we will continue to rely on KPMG's judgment and expertise in redefining that time horizon in light of new information.¹ KPMG's judgment on this issue is now informed by actual market data, contrasted with the then unavoidable speculation used to develop the earlier volume tests.² Good analytic technique requires that theories and suppositions be governed by empiricism, that is, be refined by actual evidence and data when they become available.

The comments filed with the Department and a recent order issued by the New York Public Service Commission indicate that Bell Atlantic currently is having problems processing actual commercial transactions. Some commenters here argue that it makes no sense to shorten the time horizon for volume projections to six months when Bell Atlantic currently is experiencing problems with commercial volumes on a system that was tested for volumes using an eighteen-month time horizon. These commenters miss the point of KPMG's new analysis because they begin with the premise that it is reasonable to test a system today to measure whether that system would handle the volumes that are expected to be present eighteen months from now. If you accept that premise as a starting point, then it probably would be counterintuitive to shorten the time horizon for volume projections, given the current problems. KPMG concludes, however, on the basis of actual market experience – information that was not available when

¹ Similarly, we also will rely on KPMG to determine the appropriate testing of "protocols offered by Bell Atlantic over the EDI interfaces, including FTP, SSL3, and CORBA." See AT&T Comments at 15.

² Several commenters questioned the accuracy of KPMG's baseline and six-month projections. See AT&T Comments at 10-12; BA-MA Comments at 2, n.1. In fact, KPMG has informed the Department that its reference in the scope change proposal to 15,000 pre-order and order transactions was incorrect. The 15,000 figure is for orders only. We direct KPMG to review and recheck for accuracy its baseline and six-month projections.

volume projections were being made for the New York and Pennsylvania tests – that it is not reasonable to expect Bell Atlantic to maintain operational readiness today for the market conditions of a year and a half from now. We agree with that assessment.

The current problems with commercial volumes are not evidence of a need to strengthen volume testing. On the contrary, the current problems have exposed the unavoidable tension and imperfection of conducting a test at a given point in time for projected volumes, particularly in an industry that is marked by rapid change in technology and other market conditions. For us, the real lesson to be drawn from the current commercial problems with Bell Atlantic's OSS is that we and KPMG need to put more emphasis on the results of another aspect of the Massachusetts OSS test -- the "Capacity Management Evaluation",³ which is designed "to determine the extent to which procedures to accommodate increases in [Graphical User Interface], [Electronic Data Interchange], and [Direct Customer Access System] . . . transaction volumes and users are being actively managed." MTP at 71.

Accordingly, for the aforementioned reasons, we approve the proposed scope change to the MTP. This letter order also resolves the substantive issues raised in AT&T's Motion to Stay Transaction Testing Until KPMG's Last-Minute Proposal to Weaken the Volume Testing Standards is Resolved, And All of Bell Atlantic's Systems are Capable of Handling Commercial Volumes ("Motion"), and we hereby deny that Motion. The second part of AT&T's Motion requested that the Department stay transaction testing until "all of Bell Atlantic's systems are capable of handling commercial volumes." We also deny AT&T's Motion on this point, because we will rely on KPMG to exercise good judgment in ensuring that Massachusetts test transactions will not cause or exacerbate any problems with actual commercial transactions, consistent with the Entrance Criteria requirements in the MTP. MTP at 18.

By Order of the Department

James Connelly, Commissioner

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

³ See MTP at 71-73.